



## MARC RATINGS BERHAD

# P R E S S   A N N O U N C E M E N T

FOR IMMEDIATE RELEASE

### MARC RATINGS AFFIRMS RATINGS ON SIME DARBY PLANTATION

MARC Ratings has affirmed Sime Darby Plantation Berhad's (SD Plantation) corporate credit rating at **AAA** and its Perpetual Subordinated Sukuk Programme's rating of up to RM3.0 billion at **AA<sub>s</sub>**. Both ratings carry a **stable** outlook.

The affirmed corporate credit rating reflects SD Plantation's strong cash flow generating ability from its geographically sizeable and integrated oil palm operations, underpinned by its longstanding operating track record in the oil palm plantation industry. The rating benefits from a one-notch uplift on implicit support from parent Permodalan Nasional Berhad (PNB), a government-linked investment company.

With total planted area of 578,229 ha as at end-June 2022, SD Plantation is the world's largest oil palm plantation company by planted area, of which Malaysia and Indonesia accounted for 84% with the remaining in Papua New Guinea/Solomon Islands. Given 27% of its trees are of prime age, and 43% are immature and young matured trees, its tree maturity profile will continue to be supportive of the growth of fresh fruit bunch (FFB) production. Its replanting strategy of about 4% p.a. of its total plantation area augurs well for continuity in palm oil production.

For 1H2022, the tight supply of vegetable oil globally, mainly due to the Russia-Ukraine conflict and Indonesia's export ban on palm oil, led to elevated crude palm oil (CPO) price although this has since tapered on increase in palm oil inventories. SD Plantation realised an average CPO price of RM4,868/MT in 1H2022 (1H2021: RM3,422/MT), which boosted revenue y-o-y to RM10 billion and pre-tax profit to RM2.2 billion (1H2021: RM8.1 billion; RM1.7 billion). Labour shortage for its Malaysian operations, however, led to extended harvesting intervals which impacted overall FFB production, resulting in a 15% y-o-y dip to 4.0 million MT in 1H2022. To address this issue, the group has increased automation and mechanisation in key upstream processes and has a planned capex of RM200 million to 300 million p.a. The volatility of CPO price and the persistent labour issues in its Malaysian operations that have impacted operating efficiencies remain moderating factors to the rating.

Cash flow from operations (CFO) declined slightly y-o-y to RM1.1 billion (1H2021: RM1.3 billion) due to higher input cost. Group liquidity position, with unrestricted cash balance of RM734 million as at end-June 2022, remains strong and is sufficient to meet its short-term term loan obligations. Group adjusted borrowings of RM8.0 billion as at end-June 2022 (end-2021: RM7.4 billion) translated into a gross debt-to-equity (DE) ratio of 0.45x (net DE ratio: 0.41x), which is within our forecast. We understand that ongoing disposals of non-core assets that would generate up to RM3.1 billion in sales proceeds is expected to reduce the gross DE ratio to about 0.3x by end-2023.

**Contacts:**

Cyndy Goh, +603-2717 2941/ cyndy@marc.com.my  
Lim Wooi Loon, +603-2717 2943/ wooiloon@marc.com.my  
Taufiq Kamal, +603-2717 2951/ taufiq@marc.com.my

October 4, 2022

[This announcement is available on MARC's corporate website at [www.marc.com.my](http://www.marc.com.my)]

---- DISCLAIMER ----

*This communication is provided by Malaysian Rating Corporation Berhad and any of its subsidiaries or affiliates ("MARC") based on the information, reasonably believed by MARC to be accurate and reliable to the greatest extent, derived from publicly available sources or provided by the rated entity or its agents. MARC, however, has not independently verified the source of such information and makes no representation as to the accuracy, completeness and timeliness of such information. Any assignment of a credit rating by MARC shall at all times solely be construed as a statement of opinion and not a statement of fact. A credit rating is not a recommendation to buy, sell or hold any security and/or investment.*

**© 2022 MARC Ratings Berhad**  
202001041436 (1397757-W)